

press release

FIRST-HALF 2004 RESULTS:

> STRONG GROWTH IN OPERATING PERFORMANCE:

- Sales up **7.1%** to €15,696 million
- Operating income up **6%** to €1,258 million (**up 7.5% at constant exchange rates*** and excluding Dahl)

On a like-for-like basis:

- Sales up **5.5%**
- Operating income up **7.8%**

- **NET INCOME EXCLUDING CAPITAL GAINS AND LOSSES UP 8.3%** to €510 million

2004 TARGET REVISED UPWARDS:

- **SAINT GOBAIN has increased its target for OPERATING INCOME GROWTH to 7%**, at constant exchange rates and excluding Dahl.

* based on average exchange rates for first-half 2003.

Consolidated sales for the Saint-Gobain Group came to €15,696 million in the first half of 2004, representing an increase of 7.1% after a negative currency effect of 2.4%. The contribution of the Group's acquisitions to the growth figure, net of disposals, amounted to €593 million during the period, accounting for a rise of 4.0% in net sales. **Like-for-like growth amounted to 5.5%** for the period as a whole, breaking down into 5.1% during the first quarter and 6.1% in the second.

Saint-Gobain Group **consolidated net income** for the first half of 2004 amounted to €487 million, an increase of 3.6% on the same period of 2003. Excluding capital gains and losses, net income came to €510 million, up 8.3%. This earnings growth was primarily fueled by an increase in operating income and a reduction in net interest and other financial charges.

□ **Performance of Group sectors and divisions:**

Apart from the Pipe Division, all of the Group's divisions reported sales growth in first-half 2004, with the majority picking up pace in the second quarter. On a like-for-like basis, second quarter sales were up 6.1% (of which 1.3% attributable to prices), on the back of a 5.1% increase in the first quarter. This gave a total growth figure for first-half 2004 of 7.8% for operating income (on a like-for-like basis) and 5.5% for sales (including a +4.8% volume effect and a +0.7% price impact). In line with the economic scenario anticipated at the beginning of 2004 and the trends of the first quarter of the year, the new businesses (Building Materials Distribution and High-Performance Materials), as well as emerging markets in general, proved to be the Group's main growth and profitability drivers.

This performance testifies to the quality of Saint-Gobain's business model and demonstrates the Group's ability to reap the benefits both of the current economic recovery – particularly in industrial production and capital spending – and of the growth in emerging countries.

- **The Glass Sector achieved satisfactory organic growth, with like-for-like sales up 4.0% and a slight increase in operating income.** The Insulation and Containers divisions, spurred by sustained favorable market conditions, posted improved profitability. The Reinforcements Division was still affected by an overall contraction in sales prices throughout 2003, despite an upturn during the second quarter of 2004. Flat Glass continued on the growth track, reporting a 4.1% increase in like-for-like sales but margins were eroded due to downward pressure on sales prices in the European construction market during the first quarter of the year.
- **High-Performance Materials built on its first quarter performance and once again reported the Group's strongest like-for-like growth (9.0%), as well as a significant increase in operating margin to 11.1% from 9% in the first half of 2003.** The recovery in the manufacturing industry and capital spending continued and picked-up pace during the second quarter of 2004. The Business Sector also continued to benefit from the cost cutting programs implemented over the past few years.
- **The Housing Products Sector also achieved very strong sales, reporting like-for-like growth of 6.1%.** Operating income, however, rose by a more modest 3.0% on a like-for-like basis, due to the downturn reported by the Pipe Division which suffered from a significant increase in raw materials costs. The Building Materials Division – which is smaller in size since the sale of Terréal and Certain Teed Ventilation in 2003 – continued to benefit from the buoyant residential construction market in the United States. Meanwhile, the Building Materials Distribution Division pursued its expansion drive, both through organic growth (6.6% in first-half 2004) and acquisitions (including the consolidation of Dahl from May 1, 2004). Operating margin improved once again for the Division, rising to 4.9% from 4.6% in first-half 2003.

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□ **Detailed review of interim results:**

Key figures from the interim consolidated financial statements reviewed by the Board of Directors on July 29, 2004 are as follows:

	H1 2003 (in € millions)	H1 2004 (in € millions)	% change
	(1)	(2)	(2)/(1)
Net sales	14,650	15,696	+7.1%
Operating income	1,187	1,258	+6.0%
Dividend income	4	2	-50%
Interest and other financial charges, net	(242)	(213)	-12%
Non-operating costs	(124)	(135)	+8.9%
Income before profit on sales of non-current assets and taxes	825	912	+10.5%
Profit (loss) on sales of non-current assets, net	2	(33)	n.m.
Provision for income tax	(271)	(307)	+13.3%
Amortization of goodwill	(74)	(68)	-8.1%
Share in net results of equity investees	2	3	+50%
Net income before minority interests	484	507	+4.8%
Minority interests	(14)	(20)	+42.9%
Net income	470	487	+3.6%
Earnings per share (in €)	1.38	1.41	+2.2%
Net income excluding profit and losses on sales of non-current assets	471	510	+8.3%
Earnings per share excluding profit and losses on sales of non-current assets (in €)	1.38	1.48	+7.2%
Cash flow from operations	1,243	1,253	+0.8%
Cash flow excluding capital gains tax	1,247	1,242	-0.4%
Capital expenditure	501	546	+9.0%
Investments in securities	251	512	+104%
Net indebtedness	7,099	6,674	-6.0%

Group sales climbed 7.1% on an actual structure basis and 3.1% based on a comparable structure. **At constant exchange rates*, sales were up 9.5% on an actual structure basis, and 5.5% based on a comparable structure.** Sales volumes rose 4.8% and prices 0.7%.

France accounted for 33.1% of total sales, with other Western European countries contributing 39.6%, North America 17.2% and emerging countries and the Asia-Pacific region 10.1%.

Operating income rose 6.0%. **At constant exchange rates, it increased 8.9%** and 7.5% excluding Dahl. **The like-for-like increase in operating income was 7.8%.** Operating margin stood at 8.0% compared with 8.1% in first-half 2003. This slight contraction in margin is attributable to the increased relative weight of the Building Materials Distribution Division within the Group, despite a robust increase in this Division's operating margin to 4.9% from 4.6% in first-half 2003. Excluding Building Materials Distribution, the Group's operating margin remained stable at 10.0%. Margins improved in all of the geographic areas where the Group operates except for France where the Pipe Division reported lower earnings as a result of significant increases in the cost of raw materials.

* based on average exchange rates for first-half 2003.

Net interest and other financial charges decreased 12% to €213 million from €242 million in first-half 2003, primarily thanks to the reduction in the Group's indebtedness and the favorable impact of converting interest on dollar-denominated debt into euros.

Non-operating costs edged up from €124 million for the year-earlier period to €135 million in first-half 2004, equivalent to half of total non-operating costs for full-year 2003. As in first-half 2003, this figure includes a €50 million charge for the cost of asbestos-related claims filed against CertainTeed.

The Group reported a €33 million loss on **sales of non-current assets**, reflecting write-downs and capital losses recorded on the sale of certain assets.

Goodwill amortization amounted to €68 million, compared with €74 million in first-half 2003. This reduction was due to the higher amount of badwill released in first-half 2004 than one year earlier.

Minority interests rose slightly, due to the increase in the contribution from the Group's Brazilian subsidiaries, which climbed from €14 million in first-half 2003 to €20 million in first-half 2004.

Consolidated net income came to €487 million, up 3.6% on the prior-year period. Based on the 345,124,327 shares outstanding at June 30, 2004, earnings per share totaled €1.41, compared with €1.38 in first-half 2003 (based on 341,010,680 shares). The increase in the number of shares outstanding compared with June 30, 2003 reflects the issuance of 4,099,192 new shares in June 2004 for the purpose of attribution under the Group Savings Plan. Saint-Gobain will buy back and subsequently cancel an equivalent number of its own shares in order to ensure that the Company's total capital stock remains stable at December 31, 2004.

Excluding profit and losses on sales of non-current assets, net income was up 8.3% to €510 million, compared with €471 million in first-half 2003. Based on the 345,124,327 shares outstanding at June 30, 2004, earnings per share excluding profit and losses on sales of non-current assets amounted to €1.48, compared with €1.38 in first-half 2003, **representing an increase of 7.2%.**

Cash flow from operations came to €1,253 million, an increase of 0.8% on the corresponding prior -year period. Excluding the €(11) million tax impact of capital gains and losses, cash flow from operations was almost on a par with first-half 2003, at €1,242 million, versus €1,247 million.

Capital expenditure rose 9% to €546 million, from €501 million in first-half 2003, and represented 3.5% of sales, compared to 3.4%. This rise was mainly fueled by the ramp-up of the capital expenditure program in emerging countries, particularly in Asia, led by the Flat Glass Division.

Investments in securities totaled €512 million, including €381 million for Dahl and €64 million for bolt-on acquisitions in the Building Materials Distribution Division and in the Ceramics & Composites Sector.

Net indebtedness (excluding financial instruments) was €6.7 billion at June 30, 2004 after payment of the 2003 dividend, down significantly from €7.1 billion one year earlier. The gearing ratio – based on consolidated shareholders' equity plus non-voting participating securities – was 56%.

□ **Asbestos-related claims in the United States:** some 9,000 new claims were filed against CertainTeed during first-half 2004, including 800 in the State of Mississippi, representing 5 times less than the number of new claims filed in the same period of 2003 (48,000, including 28,000 in Mississippi). At the same time, 11,000 claims were resolved during the period. Therefore the number of outstanding claims at June 30, 2004 was slightly lower than at December 31, 2003, amounting to 106,000, compared with 108,000 (123,000 at June 30, 2003). The average cost of claims settled over the last twelve months was US\$2,700 per claim, up on the 2003 average figure of US\$2,100. This increase was due to the higher number of serious cases as a proportion of overall claims settled and claims currently in the process of being settled.

Legislative efforts have been very active during the first half of 2004. On April 22, 2004, the Republican Majority Leader of the United States Senate attempted to move forward a debate on proposed legislation to create a National Asbestos Trust Fund. The bill fell short of the 60 votes (out of 100) required to pass through the Senate. A mediation process was then launched at the request of the Senate's Republican and Democrat leaders, in an attempt to reach an agreement among the various parties involved, particularly concerning the size of the fund. This negotiation concluded positively on many topics, except two: the size of the fund and claims values for the various disease categories. Since then, the Republican and Democrat leaders have exchanged proposals on the outstanding issues. With the support of the industrial and insurance sectors, a few weeks ago, the Republican Senate Majority Leader made a new proposal for a compensation fund representing a total of US\$ 140 billion. Discussions are still going on, but as the Senate has recessed for the month of August, substantive negotiations may be delayed until September.

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□ **Outlook and targets:** in view of the Group's first-half 2004 performance and the encouraging outlook for its businesses for the second half of the year, Saint-Gobain is revising upwards its full-year growth targets for 2004. Based on constant exchange rates (average rates for 2003), the Group's target for 2004 is now 7% growth in operating income (excluding the positive impact of Dahl).

July 29, 2004.

Next results announcement:

- Sales for the first nine months of 2004: October 26, 2004, after close of trading on the Paris Bourse.

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Appendix 1

Results by Business Sector, Division and Geographic Area

(in EUR millions)

I. SALES	H1 2003	H1 2004	change on an actual structure basis	change on a comparable structure basis	change on a comparable structure and currency basis
by sector and division:					
Glass (1)	5 642	5 733	+1.6%	+0.8%	+4.0%
Flat Glass	2 159	2 219	+2.8%	+2.2%	+4.1%
Insulation and Reinforcements	1 534	1 593	+3.8%	+2.3%	+6.4%
Containers	1 955	1 928	-1.4%	-1.8%	+2.2%
High-Performance Materials (1)	1 640	1 749	+6.6%	+3.1%	+9.0%
Ceramics & Plastics and Abrasives	1 640	1 749	+6.6%	+3.1%	+9.0%
Housing Products (1)	7 515	8 378	+11.5%	+5.0%	+6.1%
Building Materials	1436*	1 294	-9.9%	+3.0%	+10.1%
Building Materials Distribution	5 477	6 484	+18.4%	+6.8%	+6.6%
Pipe	750	726	-3.2%	-4.0%	-3.8%
<i>internal sales and miscellaneous</i>	<i>-147</i>	<i>-164</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
Group	14 650	15 696	+7.1%	+3.1%	+5.5%

by geographic area:					
France	5 022	5 474	+9.0%	+5.6%	+5.6%
Other Western European Countries	6 011	6 550	+9.0%	+2.7%	+2.3%
North America	2 894	2 848	-1.6%	-0.9%	+10.0%
Emerging countries and Asia	1 425	1 660	+16.5%	+10.3%	+16.2%
<i>internal sales</i>	<i>-702</i>	<i>-836</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
Group	14 650	15 696	+7.1%	+3.1%	+5.5%

(1) including inter-division eliminations

* including €188m from companies sold in 2003

II. OPERATING INCOME	H1 2003	H1 2004	change on an actual structure basis
by sector and division:			
Glass	574	587	+2.3%
Flat Glass	227	217	-4.4%
Insulation and Reinforcements	134	140	+4.5%
Containers	213	230	+8.0%
High-Performance Materials	147	195	+32.7%
Ceramics & Plastics and Abrasives	147	195	+32.7%
Housing Products	453	457	+0.9%
Building Materials	125*	92	-26.4%
Building Materials Distribution	250	317	+26.8%
Pipe	78	48	-38.5%
misc.	13	19	n.s.
Group	1 187	1 258	+6.0%

by geographic area:			
France	470	428	-8.9%
Other Western European Countries	355	401	+13.0%
North America	223	236	+5.8%
Emerging countries and Asia	139	193	+38.8%
Group	1 187	1 258	+6.0%

* including €37m from companies sold in 2003

III. CASH FLOW	H1 2003	H1 2004	change on an actual structure basis
<u>by sector and division:</u>			
Glass	696	688	-1.1%
Flat Glass	266	247	-7.1%
Insulation and Reinforcements	179	183	+2.2%
Containers	251	258	+2.8%
High-Performance Materials	153	176	+15.0%
Ceramics & Plastics and Abrasives	153	176	+15.0%
Housing Products	336	360	+7.1%
Building Materials	90*	95	+5.6%
Building Materials Distribution	172	223	+29.7%
Pipe	74	42	-43.2%
Misc.	58**	29**	-50.0%
Group	1 243	1 253	+0.8%

<u>by geographic area:</u>			
France	487	418	-14.2%
Other Western European Countries	367	390	+6.3%
North America	212**	222**	+4.7%
Emerging countries and Asia	177	223	+26.0%
Group	1 243	1 253	+0.8%

* including €36m from companies sold in 2003

** after asbestos-related litigation charge of €34 m after taxes

IV. CAPITAL EXPENDITURE ON PLANT AND EQUIPMENT	H1 2003	H1 2004	change on an actual structure basis
<u>by sector and division:</u>			
Glass	286	343	+19.6%
Flat Glass	102	149	+46.1%
Insulation and Reinforcements	86	93	+8.1%
Containers	98	101	+3.1%
High-Performance Materials	42	44	+4.8%
Ceramics & Plastics and Abrasives	42	44	+4.8%
Housing Products	172	157	-8.7%
Building Materials	57*	34	-40.4%
Building Materials Distribution	95	107	+12.6%
Pipe	20	16	-20.0%
misc.	1	2	+100.0%
Group	501	546	+9.0%

<u>by geographic area:</u>			
France	126	114	-9.5%
Other Western European Countries	159	183	+15.1%
North America	87	100	+14.9%
Emerging countries and Asia	129	149	+15.5%
Group	501	546	+9.0%

* including €6m from companies sold in 2003

Appendix 2: CONSOLIDATED BALANCE SHEET
(in € millions)

ASSETS	June 30, 2004	Dec. 31, 2003
Goodwill	5 483	4 902
Other intangible assets, net	1 894	1 836
	7 377	6 738
Property, plant and equipment	21 897	21 199
Less accumulated depreciation	(13 043)	(12 513)
	8 854	8 686
Investments in equity investees	57	75
Investments, at cost	142	139
Non-current marketable securities	74	78
Other non-current assets	1 532	1 521
	1 805	1 813
Non-current assets	18 036	17 237
Inventories	5 039	4 509
Trade accounts receivable, net	5 368	4 240
Other accounts receivable	1 266	1 035
Short-term loans	99	160
Marketable securities	805	1 387
Cash and cash equivalents	1 359	1 527
Current assets	13 936	12 858
Total assets	31 972	30 095
LIABILITIES AND SHAREHOLDERS' EQUITY		
Capital stock (made up of 345,124,327 €4 par value shares at 06/30/2004, and 347,824,967 €4 par value shares at 12/31/2003)	1 380	1 391
Additional paid-in capital and legal reserve	2 283	2 381
Retained earnings and net income for the year	9 964	9 869
Cumulative translation adjustments	(2 036)	(2 241)
Treasury stock	(65)	(313)
Shareholders' equity	11 526	11 087
Minority interests	253	223
Net equity of consolidated entities	11 779	11 310
Non-voting participating securities	170	170
Pensions and other post-retirement benefits	2 322	2 305
Deferred tax liability	587	599
Other liabilities	996	1 032
Long-term debt	6 032	6 518
Shareholders' equity and non-current liabilities	21 886	21 934
Trade accounts payable	4 328	3 592
Other payables and accrued expenses	2 853	2 356
Current portion of long-term debt	897	550
Short-term debt and bank overdrafts	2 008	1 663
Current liabilities	10 086	8 161
Total liabilities and shareholders' equity	31 972	30 095